The Daily Transcript

January 9, 2013

Local banks perform well in 3Q

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The Daily Transcript

San Diego's community banks performed well during the third quarter, typically with higher ratings than the nationwide competitors that dominate the market, according to the latest statewide bank report by **Bauer Financial Inc.**

Of the 17 banks based in the county, six received "superior" five-star ratings, based on their tangible assets, capital ratios and profitability: **Balboa Thrift & Loan**, **BofI Federal Bank**, **California Bank & Trust**, **California Community Bank**, **Regents Bank** and **San Diego Trust Bank**.

Five banks were rated "excellent," with four stars, and five were rated "good," with 3.5 stars.

Only one bank received a lower score: **Neighborhood National Bank**, which slid from two stars in the second quarter to a single star in the third.

But Neighborhood, which specializes in government-backed community development loans to low-income neighborhoods, is in a unique category — one of 85 banks nationwide designated as a community development financial institution by the U.S. Treasury Department.

Except for **Bank of Southern California**, which climbed from 3.5 stars in the second quarter to four stars in the third, the ratings for the other banks remained unchanged.

"Over the last couple years, we've generally been seeing higher profitability, higher capital ratios, lower loan losses and fewer enforcement actions than we were seeing before," said Karen Dorway, Bauer's director of research. "Some banks are still struggling, with higher nonperforming assets [bad loans] than we would

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like to see. But there's been gradual improvement, with far fewer bank failures than we've seen for a while."

Although community banks have rebounded, some of the nation's biggest banks are still struggling from the aftermath of the mortgage bubble and burst. Bauer gave both **Bank of America** (NYSE: BAC) and **Wells Fargo** (NYSE: WFC) 3.5 stars nationwide, while BofA's California operation is rated at three stars, signifying "adequate."

"Community banks often have higher capital ratios than the bigger banks because their local investors understand that the bank is in a better position to lend when it has more capital," Dorway said. "The institutional investors who put their money into the bigger banks are generally more interested in return on investment than long-term community growth."

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Source Code: 20130108czg